

WINTERSET COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

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Winterset Community School District
Board of Education and School District Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jeff Nicholl	President	2013
Michael Motsinger	Vice-President	2015
Brenda Clifton	Board Member	2015
Kimberly Tucker	Board Member	2015
Karen Brookhart	Board Member	2013
School District Officials		
Mike Wells	Superintendent	2012
Cammy Leners	Business Manager/Board Secretary	2012
Ahlers Law Firm	Attorney	Indefinite



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Van Maanen, Sietstra & Meyer, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education of
Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Winterset Community School District, Winterset, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Winterset Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012 on our consideration of Winterset Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winterset Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

November 20, 2012

The Winterset Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 Financial Highlights

- General Fund revenues increased from \$17,192,196 in fiscal 2011 to \$17,750,325 in fiscal 2012, and General Fund expenditures increased from \$15,778,321 in fiscal 2011 to \$16,451,374 in fiscal 2012. This resulted in an increase of \$1,298,951 in the District's General Fund balance from -\$714,518 in fiscal 2011 to \$584,433 in fiscal 2012 – a positive fund balance for the first time since 2007.
- The 2% increase in General Fund revenues was largely attributable to an increase in State funding due to participation in the State Voluntary Preschool Program (SVPP) and the 101% Budget Guarantee. Tax revenues held steady with increased property valuations offset by a general fund tax levy decrease.
- The increase in General Fund expenditures of 4% was attributable to salary and benefit increases as well as technology purchases. The District will continue to strictly monitor spending as it continues to improve its' financial position.
- Certified enrollment decreased by 16 students, an unusually large change for the District. We believe this is an anomaly to our trend of slow but steady growth and we will update forecasting models if this proves to be otherwise.
- All remaining Federal Education Jobs dollars were expended during fiscal 2012.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Winterset Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Winterset Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Winterset Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Winterset Community School District
Annual Financial Report

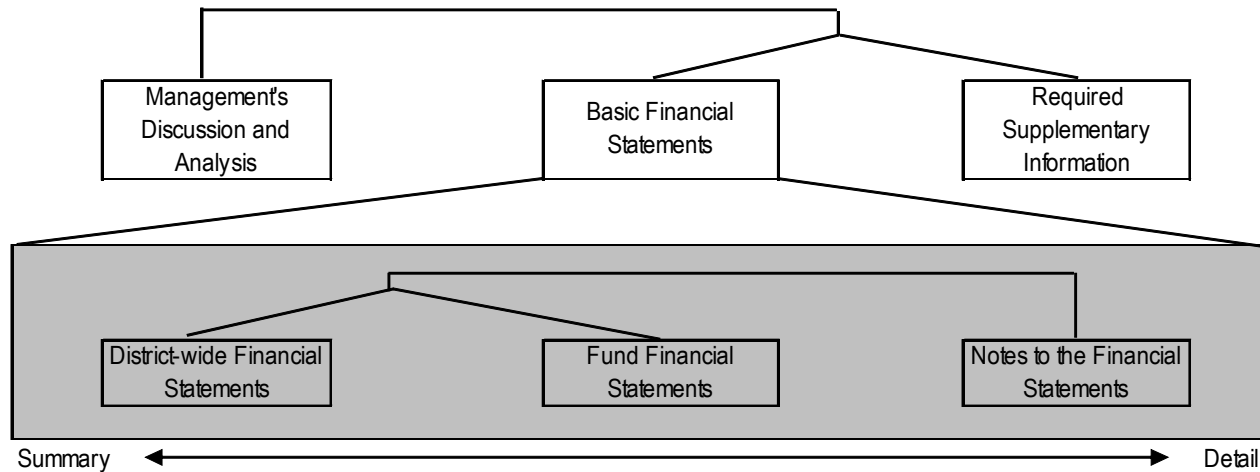


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Student Construction	Special Projects

Reporting the District's Financial Activities

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- ◆ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student construction are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- ◆ Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the School Construction Fund. The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.
- ◆ Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently 10 scholarship trust funds: V Smith, Harpole, Hendricks, Keul, Ridout, See, Waddingham, Dorrell, Cooper and McGuiness .
- Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District organizations and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-3							
Condensed Statement of Net Assets							
	Governmental Activities		Business type activities		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current assets	\$ 14,332,560	14,360,281	406,328	229,907	14,738,888	14,590,188	1.0%
Noncurrent assets	25,295,357	24,180,350	50,699	11,882	25,346,056	24,192,232	4.8%
Total assets	39,627,917	38,540,631	457,027	241,789	40,084,944	38,782,420	3.4%
Current liabilities	10,687,703	10,921,887	194,171	13,675	10,881,874	10,935,562	-0.5%
Noncurrent liabilities	17,443,254	17,888,558	-	-	17,443,254	17,888,558	-2.5%
Total liabilities	28,130,957	28,810,445	194,171	13,675	28,325,128	28,824,120	-1.7%
Net assets:							
Invested in capital assets,							
net of related debt	8,592,939	9,469,598	9,599	11,882	8,602,538	9,481,480	-9.3%
Restricted	3,470,039	1,850,453	-	-	3,470,039	1,850,453	87.5%
Unrestricted	(566,018)	(1,589,865)	253,257	216,232	(312,761)	(1,373,633)	77.2%
Total net assets	\$ 11,496,960	9,730,186	262,856	228,114	11,759,816	9,958,300	18.1%

The District's combined net assets increased by 18.1% or \$1,801,516, over the prior year. The largest portion of the district's net assets is invested in capital assets (e.g. land infrastructure, buildings and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$1,619,586 or 87.5% over the prior year.

**Winterset Community School District
Management's Discussion and Analysis
June 30, 2012**

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased \$1,060,872 or 77%. This increase in unrestricted net assets was primarily a result of an increase in the General Fund balance.

Figure A-4 shows the change in net assets for the year ended June 30, 2012 as compared to June 30, 2011.

Figure A-4 Changes in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$ 1,058,548	922,136	520,857	520,495	1,579,405	1,442,631	9.5%
Operating grants, contributions and restricted interest	2,825,325	2,865,685	373,027	365,963	3,198,352	3,231,648	-1.0%
General revenues:							
Property tax	7,998,772	7,925,663	-	-	7,998,772	7,925,663	0.9%
Statewide sales and service tax	1,300,264	1,121,568	-	-	1,300,264	1,121,568	15.9%
Unrestricted state grants	7,992,398	7,218,255	-	-	7,992,398	7,218,255	10.7%
Unrestricted investment earnings	10,623	109,425	-	-	10,623	109,425	-90.3%
Other	133,608	98,062	78	202	133,686	98,264	36.0%
Total revenues	<u>21,319,538</u>	<u>20,260,794</u>	<u>893,962</u>	<u>886,660</u>	<u>22,213,500</u>	<u>21,147,454</u>	<u>5.0%</u>
Program expenses:							
Governmental activities:							
Instruction	12,089,274	11,477,140	125,321	136,417	12,214,595	11,613,557	5.2%
Support services	5,629,177	4,788,752	-	-	5,629,177	4,788,752	17.5%
Non-instructional programs	-	-	733,899	696,000	733,899	696,000	5.4%
Other expenses	1,959,513	2,198,992	-	-	1,959,513	2,198,992	-10.9%
Total expenses	<u>19,677,964</u>	<u>18,464,884</u>	<u>859,220</u>	<u>832,417</u>	<u>20,537,184</u>	<u>19,297,301</u>	<u>6.4%</u>
Change in net assets	<u>\$ 1,641,574</u>	<u>1,795,910</u>	<u>34,742</u>	<u>54,243</u>	<u>1,676,316</u>	<u>1,850,153</u>	<u>-9.4%</u>

In fiscal 2012, property tax, statewide sales, services and use tax, and unrestricted state grants account for 81% of the total revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$22,213,500, of which \$21,319,538 was for governmental activities and \$893,962 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5% increase in revenues and a 6.4% increase in expenses. The increase in revenues was due to first time participation in the Statewide Voluntary Preschool Program (SVPP) as well as increased tax revenue in Management and Debt Service. The increase in expenses was primarily related to construction costs, technology purchases and negotiated increases in salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$21,319,538 and expenses were \$19,677,964.

The following table in Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services		Change 2011-2012	Net Cost of Services		Change 2011-2012
	2012	2,011		2012	2,011	
Instruction	\$ 12,089,274	11,477,140	5.3%	8,958,969	8,369,090	7.0%
Support services	5,629,177	4,788,752	17.5%	5,492,666	4,778,508	14.9%
Noninstructional programs	-	-	0.0%	-	-	0.0%
Other expenses	1,959,513	2,198,992	-10.9%	1,342,456	1,529,465	-12.2%
Totals	\$ 19,677,964	18,464,884	6.6%	15,794,091	14,677,063	7.6%

- The cost financed by users of the District's programs was \$1,058,548.
- Federal and state government subsidized certain programs with grants and capital contributions totaling \$2,825,325.
- The net cost of governmental activities was financed with \$7,998,772 in local tax, \$1,300,264 in statewide sales, services and use tax, \$7,992,398 in unrestricted state grants, \$10,623 in interest income and \$133,608 in other general revenues.

Business Type Activities

Revenues for business type activities were \$893,962 and expenses were \$859,220. The District's business type activities include the School Nutrition and Student Construction Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Winterset Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,685,818, compared to last year's ending fund balances of \$4,352,685.

Governmental Fund Highlights

- The District's increase in its General Fund financial position from a deficit \$714,518 to a positive \$584,433 is the product of many factors including an increase in State funding due to participation in the State Voluntary Preschool Program (SVPP) and the 101% Budget Guarantee. The District's increase in General Fund expenditures was primarily due to salary and benefit increases as well as technology purchases.
- Capital Projects Fund balance decreased from \$4,051,449 in fiscal 2011 to \$2,504,683 in fiscal 2012 due to construction expenditures. General Obligation and Revenue Bonds to fund construction were issued in prior fiscal years.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$228,114 at June 30, 2011 to \$262,856 at June 30, 2012, representing an increase of 15%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$400,570 more than budgeted revenues, a variance of 1.8%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$25,104,976, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 4.7% from last year. More detailed information about the District's capital assets is presented in the notes to the financial statements. Depreciation expense for the year was \$918,340.

The original cost of the District's capital assets was \$35.30 million. Governmental funds account for \$35,036,058 with the remainder of \$265,276 in the Proprietary, School Nutrition Fund.

The largest change in capital assets activity during the year occurred in buildings. The District's buildings totaled \$28,814,777 at June 30, 2012, compared to \$14,686,329 at June 30, 2011. This significant increase was due to the completion of the new Middle School facility as well as an addition and remodel at the High School. These projects were financed by voter approved general obligation bonds issued in 2008 and school infrastructure sales, service and use tax revenue bonds issued in 2009.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 457,901	457,901	-	-	457,901	457,901	0.0%
Construction in progress	265,541	13,146,282	-	-	265,541	13,146,282	-98.0%
Buildings	22,407,691	8,756,451	-	-	22,407,691	8,756,451	155.9%
Improvements other than buildings	1,292,686	1,116,453	-	-	1,292,686	1,116,453	15.8%
Furniture and equipment	671,559	491,522	9,598	11,881	681,157	503,403	35.3%
Totals	\$ 25,095,378	23,968,609	9,598	11,881	25,104,976	23,980,490	4.7%

Long Term Debt

At June 30, 2012, the District has \$18,236,380 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 1.9% percent from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in the notes to the financial statements.

As of June 30, 2012, the District had outstanding general obligation bonds of \$10,850,000, outstanding revenue bonds of \$6,205,000, outstanding early retirement benefits of \$569,231 payable from the Special Revenue, Management Fund, outstanding compensated absences of \$37,797 payable from the General Fund and a net OPEB liability of \$574,352.

Figure A-7			
Outstanding Long-Term Obligations			
	June 30,		Change
	2012	2011	2011-2012
General obligation bonds	\$ 10,850,000	11,310,000	-4.1%
Revenue bonds	6,205,000	6,325,000	-1.9%
Early retirement	569,231	382,809	48.7%
Compensated absences	37,797	85,384	-55.7%
Other postemployment benefits	574,352	491,000	17.0%
Totals	\$ 18,236,380	18,594,193	-1.9%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:

- Every year the District negotiates new agreements with the Winterset Community Education Association (WCEA) for teachers and the Winterset Educational Support Employees Association (WESEA) for support personnel. Any settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The Iowa legislature set allowable growth for FY13 at 2% and at the time of this report, had not yet set the FY14 rate.
- Carryover of prior year Federal Education Jobs monies was fully expended in FY12. The District will be challenged to support positions paid with the onetime funding source.
- Moody's Investors Service downgraded to A2 from A1 the rating on Winterset Community school District (IA) general obligation bonds, affecting \$10.85 million of outstanding debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Cammy Leners, Business Manager/Board Secretary, Winterset Community School District, 110 W. Washington, P.O. Box 30, Winterset, Iowa, 50273-0030.

Basic Financial Statements

Winterset Community School District
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,166,362	244,913	5,411,275
Receivables:			
Property tax:			
Delinquent	125,559	-	125,559
Succeeding year	7,681,515	-	7,681,515
Income surtax	303,826	-	303,826
Accounts	3,084	152,794	155,878
Due from other funds	180,000	-	180,000
Due from other governments	872,214	-	872,214
Inventories	-	8,621	8,621
Total current assets	14,332,560	406,328	14,738,888
Noncurrent assets:			
Deferred bond costs	199,978	-	199,978
Capital assets, net of accumulated depreciation	25,095,379	50,699	25,146,078
Total capital assets	25,095,379	50,699	25,146,078
Total noncurrent assets	25,295,357	50,699	25,346,056
Total assets	\$ 39,627,917	457,027	40,084,944
Liabilities			
Current liabilities:			
Accounts payable	\$ 84,715	7	84,722
Salaries and benefits payable	1,539,273	-	1,539,273
Accrued interest payable	197,412	-	197,412
Due to other funds	-	180,000	180,000
Due to other governments	20,176	-	20,176
Unearned revenue:			
Succeeding year property tax	7,681,515	-	7,681,515
Income surtax	303,826	-	303,826
Other	17,237	14,164	31,401
Revenue bonds payable	175,000	-	175,000
General obligation bonds payable	475,000	-	475,000
Compensated absences	37,797	-	37,797
Early retirement	145,752	-	145,752
Total current liabilities	10,677,703	194,171	10,871,874
Noncurrent liabilities:			
General obligation bonds payable	10,375,000	-	10,375,000
Revenue bonds payable	6,030,000	-	6,030,000
Early retirement	423,479	-	423,479
Bond premium	50,423	-	50,423
Other post employment benefits	574,352	-	574,352
Total noncurrent liabilities	17,453,254	-	17,453,254
Total liabilities	28,130,957	194,171	28,325,128

Exhibit A

Winterset Community School District
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business Type Activities	Total
Net assets			
Invested in capital assets, net of related debt	8,592,939	9,599	8,602,538
Restricted for:			
Management levy purposes	667,539	-	667,539
Physical plant and equipment	257,556	-	257,556
Student activities	198,567	-	198,567
School infrastructure	1,173,247	-	1,173,247
Debt service	981,628	-	981,628
Categorical funding	191,502	-	191,502
Unrestricted	(566,018)	253,257	(312,761)
Total net assets	11,496,960	262,856	11,759,816
Total liabilities and net assets	\$ 39,627,917	457,027	40,084,944

See notes to financial statements.

Winterset Community School District
Statement of Activities
Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 7,717,579	617,752	1,631,521	(5,468,306)	-	(5,468,306)
Special	2,987,531	159,988	424,544	(2,402,999)	-	(2,402,999)
Other	1,384,164	269,573	26,927	(1,087,664)	-	(1,087,664)
	<u>12,089,274</u>	<u>1,047,313</u>	<u>2,082,992</u>	<u>(8,958,969)</u>	<u>-</u>	<u>(8,958,969)</u>
Support Service:						
Student	588,330	-	-	(588,330)	-	(588,330)
Instructional staff	1,157,206	-	-	(1,157,206)	-	(1,157,206)
Administration	1,415,494	-	-	(1,415,494)	-	(1,415,494)
Operating and maintenance of plant	1,613,475	11,235	121,198	(1,481,042)	-	(1,481,042)
Transportation	854,672	-	4,078	(850,594)	-	(850,594)
	<u>5,629,177</u>	<u>11,235</u>	<u>125,276</u>	<u>(5,492,666)</u>	<u>-</u>	<u>(5,492,666)</u>
Other expenditures:						
Facilities acquisition	634,886	-	-	(634,886)	-	(634,886)
Long-term debt interest	707,570	-	-	(707,570)	-	(707,570)
AEA flowthrough	617,057	-	617,057	-	-	-
	<u>1,959,513</u>	<u>-</u>	<u>617,057</u>	<u>(1,342,456)</u>	<u>-</u>	<u>(1,342,456)</u>
Total governmental activities	<u>19,677,964</u>	<u>1,058,548</u>	<u>2,825,325</u>	<u>(15,794,091)</u>	<u>-</u>	<u>(15,794,091)</u>
Business type activities:						
Instructional programs						
Student construction services	125,321	125,321	-	-	-	-
Non-instructional programs:						
Nutrition services	733,899	395,536	373,027	-	34,664	34,664
Total business type activities	<u>859,220</u>	<u>520,857</u>	<u>373,027</u>	<u>-</u>	<u>34,664</u>	<u>34,664</u>
Total primary government	<u>\$ 20,537,184</u>	<u>1,579,405</u>	<u>3,198,352</u>	<u>(15,794,091)</u>	<u>34,664</u>	<u>(15,759,427)</u>

Winterset Community School District
Statement of Activities
Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Totals continued from previous pages	\$ 20,537,184	1,579,405	3,198,352	(15,794,091)	34,664	(15,759,427)
General Revenues:						
Property tax levied for:						
General purposes				6,949,500	-	6,949,500
Debt service				913,299	-	913,299
Capital outlay				135,973	-	135,973
Statewide sales and services tax				1,300,264	-	1,300,264
Unrestricted state grants				7,992,398	-	7,992,398
Unrestricted investment earnings				10,623	-	10,623
Contributions not restricted to specific programs				97,889	-	97,889
Other				35,719	78	35,797
Total general revenues				17,435,665	78	17,435,743
Change in net assets				1,641,574	34,742	1,676,316
Net assets beginning of year, as restated				9,855,386	228,114	10,083,500
Net assets end of year				\$ 11,496,960	262,856	11,759,816

See notes to financial statements.

Winterset Community School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Assets					
Cash and pooled investments	\$ 1,917,208	642,891	1,683,293	922,970	5,166,362
Receivables:					
Property tax:					
Current year delinquent	95,425	14,818	2,184	13,132	125,559
Succeeding year	5,723,254	920,308	137,953	900,000	7,681,515
Income surtax	303,826	-	-	-	303,826
Accounts	215	-	-	2,869	3,084
Due from other funds	-	-	180,000	-	180,000
Due from other governments	219,856	11	652,336	11	872,214
Total assets	\$ 8,259,784	1,578,028	2,655,766	1,838,982	14,332,560
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 71,585	-	13,130	-	84,715
Salaries and benefits payable	1,539,273	-	-	-	1,539,273
Due to other funds	-	-	-	-	-
Due to other governments	20,176	-	-	-	20,176
Deferred revenue:					
Succeeding year property tax	5,723,254	920,308	137,953	900,000	7,681,515
Income surtax	303,826	-	-	-	303,826
Other	17,237	-	-	-	17,237
Total liabilities	7,675,351	920,308	151,083	900,000	9,646,742
Fund balances:					
Restricted for:					
Categorical funding	191,502	-	-	-	191,502
Debt service	-	657,720	521,320	-	1,179,040
Management levy purposes	-	-	-	740,415	740,415
Student activities	-	-	-	198,567	198,567
School infrastructure	-	-	1,725,807	-	1,725,807
Physical plant and equipment	-	-	257,556	-	257,556
Unassigned	392,931	-	-	-	392,931
Total fund balances	584,433	657,720	2,504,683	938,982	4,685,818
Total liabilities and fund balances	\$ 8,259,784	1,578,028	2,655,766	1,838,982	14,332,560

See notes to financial statements.

Exhibit D

**Winterset Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2012**

Total fund balances of governmental funds (Exhibit C)	\$ 4,685,818
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	25,095,379
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(197,412)
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Long-term liabilities, including bonds payable, early retirement, compensated absences, bond discounts and premiums and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(18,013,949)</u>
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Net assets of governmental activities (Exhibit A)	<u>\$ 11,569,836</u>
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See notes to financial statements.

Exhibit E

Winterset Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2012

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 6,153,923	913,299	1,436,237	795,576	9,299,035
Tuition	719,657	-	-	-	719,657
Other	162,657	199	9,799	282,904	455,559
State sources	10,061,016	9,553	63	385	10,071,017
Federal sources	644,189	-	121,198	-	765,387
Total revenues	17,741,442	923,051	1,567,297	1,078,865	21,310,655
Expenditures:					
Current:					
Instruction:					
Regular	6,988,151	-	-	99,786	7,087,937
Special	2,975,804	-	-	-	2,975,804
Other	950,636	-	-	283,779	1,234,415
	10,914,591	-	-	383,565	11,298,156
Support services:					
Student	585,741	-	-	-	585,741
Instructional staff	862,995	-	322,853	-	1,185,848
Administration	1,401,457	-	-	3,420	1,404,877
Operation and maintenance of plant	1,420,359	-	-	136,200	1,556,559
Transportation	649,174	-	207,194	28,922	885,290
	4,919,726	-	530,047	168,542	5,618,315
Other expenditures:					
Facilities acquisition	-	-	2,285,832	-	2,285,832
Long-term debt:					
Principal	-	580,000	-	-	580,000
Interest	-	709,745	-	-	709,745
Fiscal charges	-	1,000	1,500	-	2,500
AEA flowthrough	617,057	-	-	-	617,057
	617,057	1,290,745	2,287,332	-	4,195,134
Total expenditures	16,451,374	1,290,745	2,817,379	552,107	21,111,605
Excess (deficiency) of revenues over (under) expenditures	1,290,068	(367,694)	(1,250,082)	526,758	199,050

Exhibit E

Winterset Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2012

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Other financing sources (uses):					
Proceeds from sale of assets	8,883	-	-	-	8,883
Operating transfers in	-	421,883	-	-	421,883
Operating transfers out	-	-	(421,883)	-	(421,883)
Total other financing sources (uses)	8,883	421,883	(421,883)	-	8,883
Net change in fund balances	1,298,951	54,189	(1,671,965)	526,758	207,933
Fund balances beginning of year, as restated	(714,518)	603,530	4,176,649	412,224	4,477,885
Fund balances end of year	\$ 584,433	657,719	2,504,684	938,982	4,685,818

See notes to financial statements.

Winterset Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2012

Net change in fund balances - total governmental funds (Exhibit E) **\$ 207,933**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,944,405	
Depreciation expense	<u>(817,636)</u>	1,126,769

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. The amounts of long-term liabilities issued and repaid are as follows:

Issued		
Repaid	580,000	
Amortization of premiums and bond issuance costs	<u>(8,797)</u>	571,203

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

4,675

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(233,242)	
Compensated absences	47,587	
Other postemployment benefits	<u>(83,352)</u>	(269,007)

Change in net assets of governmental activities (Exhibit B) **\$ 1,641,573**

See notes to financial statements.

Winterset Community School District
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Non-major Enterprise Fund
Assets	
Current assets:	
Cash and investments	\$ 244,913
Receivables:	
Accounts	152,794
Inventories	8,621
Total current assets	<u>406,328</u>
Noncurrent assets:	
Property and equipment:	
Machinery and equipment	306,376
Accumulated depreciation	<u>(255,677)</u>
Total noncurrent assets	<u>50,699</u>
Total assets	<u><u>\$ 457,027</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 7
Due to other funds	180,000
Unearned revenue	<u>14,164</u>
Total liabilities	<u>194,171</u>
Net Assets	
Invested in capital assets, net of related debt	50,699
Unrestricted	<u>212,157</u>
Total net assets	<u>262,856</u>
Total liabilities and net assets	<u><u>\$ 457,027</u></u>

See notes to financial statements.

Exhibit H

Winterset Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012

	Non-major Enterprise Fund
Operating revenue:	
Local sources:	
Other local sources:	
Food service sales	\$ 395,536
Other operating revenue	125,321
Total operating revenues	<u>520,857</u>
Operating expenses:	
Instructional programs:	
Support services:	
Services	37,484
Supplies	87,837
	<u>125,321</u>
Non-instructional programs:	
Food services operations:	
Services	314,086
Supplies	416,953
Depreciation	2,283
Miscellaneous	577
	<u>733,899</u>
Total operating expenses	<u>859,220</u>
Operating loss	(338,363)
Non-operating revenue:	
Interest on investments	78
State lunch and breakfast program claims	7,350
National School Lunch Program	268,537
School Breakfast Program	48,239
Federal food commodities revenue	48,901
Total non-operating revenues	<u>373,105</u>
Net income	34,742
Net assets beginning of year	<u>228,114</u>
Net assets end of year	<u>\$ 262,856</u>

See accompanying independent auditor's report.

Exhibit I

**Winterset Community School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012**

	Non-major Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 398,575
Cash received from miscellaneous operating activities	125,321
Cash payments for miscellaneous operating activities	(577)
Cash payments to suppliers for goods or services	(807,984)
Net cash used by operating activities	(284,665)
Cash flows from non-capital financing activities:	
State grants received	7,350
Federal grants received	316,776
Net cash provided by non-capital financing activities	324,126
Cash flows from investing activities:	
Interest on investments	78
Net increase in cash and cash equivalents	39,539
Cash and cash equivalents at beginning of year	205,374
Cash and cash equivalents at end of year	\$ 244,913
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (338,362)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities received	48,901
Depreciation	2,283
Decrease in accounts receivable	2,440
(Increase) in inventories	(423)
(Decrease) in accounts payable	(102)
Increase in unearned revenue	598
Net cash used by operating activities	\$ (284,665)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	\$ 244,913
Cash and cash equivalents at year end	\$ 244,913

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received federal commodities valued at \$54,601.

See notes to financial statements.

Winterset Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Current assets:		
Cash and pooled investments	\$ 194,744	28,897
Accounts receivable	169	6,361
Total assets	194,913	35,258
Liabilities		
Current liabilities:		
Salary and benefits payable	-	1,258
Accounts payable	-	34,000
Total liabilities	-	35,258
Net assets		
Held in trust for scholarships and special projects	194,913	-
Total net assets	\$ 194,913	-

See notes to financial statements.

Exhibit K

Winterset Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Contributions and donations	\$	1,166
Interest		2,690
Total additions		3,856
Deductions:		
Instruction:		
Services		14,388
Change in net assets		(10,532)
Net assets beginning of year		205,445
Net assets end of year	\$	194,913

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Winterset Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Winterset, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Winterset Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Winterset Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Madison County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise funds of the District are considered non-major:

Nutrition Services: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Student Construction: This fund accounts for transactions related to the Student Construction program.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund types:

Private Purpose Trust Fund: These funds account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Agency Fund: These funds account for assets held by the District as an agency for individuals and private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nondisposable - Amounts not available for expenditure.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the other expenditures functional area.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments as follows:

Farmers & Merchants State Bank Certificates of Deposit	\$ 160,018
American State Bank Certificate of Deposit	1,161
Union State Bank Certificate of Deposit	2,094
Iowa Schools Joint Investment Trust	
Diversified portfolio (amortized cost)	2,765,102
	<u>\$ 2,928,375</u>

At June 30, 2012, the District had investments in the Iowa School Joint Investment Trust Direct government Obligations Portfolio which are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 421,883</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-2010B warrants was 4.5% and the interest rate on the 2010-2011A and 2010-2011B warrants was 2.0%. A summary of the District's ISCAP activity for the year ended June 30, 2012 is as follows:

Winterset Community School District
Notes to Financial Statements
June 30, 2012

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A	\$ -	2,425,001	2,425,001	-
	-	-	-	-
	<u>\$ -</u>	<u>2,425,001</u>	<u>2,425,001</u>	<u>-</u>

During the year ended June 30, 2012, the District paid \$3,743 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 457,901	-	-	457,901
Construction in progress	13,146,282	265,540	13,146,282	265,540
Total capital assets not being depreciated	13,604,183	265,540	13,146,282	723,441
Capital assets being depreciated:				
Buildings	14,686,329	14,226,870	98,422	28,814,777
Land improvements	1,926,919	283,151	-	2,210,070
Machinery and equipment	2,874,222	413,549	-	3,287,771
Total capital assets being depreciated	19,487,470	14,923,570	98,422	34,312,618
Less accumulated depreciation for:				
Buildings	5,929,878	575,629	98,422	6,407,085
Land improvements	810,466	106,918	-	917,384
Machinery and equipment	2,382,700	233,511	-	2,616,211
Total accumulated depreciation	9,123,044	916,058	98,422	9,940,680
Total capital assets being depreciated, net	10,364,426	14,007,512	-	24,371,938
Governmental activities capital assets, net	<u>\$ 23,968,609</u>	<u>14,273,052</u>	<u>13,146,282</u>	<u>25,095,379</u>
Business type activities:				
Machinery and equipment	\$ 265,276	-	-	265,276
Less accumulated depreciation	253,395	2,283	-	255,678
Business type activities capital assets, net	<u>\$ 11,881</u>	<u>(2,283)</u>	<u>-</u>	<u>9,598</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 518,328
Other	144,337

Support services:

Administration	1,418
Operation and maintenance of plant	33,104
Transportation	120,449

Total depreciation expense - governmental activities \$ 817,636

Business type activities:

Food services	<u>\$ 2,283</u>
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(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 11,310,000	-	460,000	10,850,000	475,000
Revenue bonds	6,325,000	-	120,000	6,205,000	175,000
Early retirement	382,809	425,813	239,391	569,231	145,752
Compensated absences	85,384	37,797	85,384	37,797	37,797
Net OPEB liability	491,000	83,352	-	574,352	-
	<u>\$ 18,594,193</u>	<u>546,962</u>	<u>904,775</u>	<u>18,236,380</u>	<u>833,549</u>

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Bond Issue of July 1, 2008				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.75%	\$ 360,000	326,993	686,993
2014	3.50%	380,000	313,493	693,493
2015	3.50%	395,000	300,193	695,193
2016	5.00%	410,000	286,368	696,368
2017	5.00%	430,000	265,867	695,867
2018	5.00%	445,000	244,368	689,368
2019	3.75%	465,000	222,118	687,118
2020	3.80%	485,000	204,680	689,680
2021	3.85%	505,000	186,250	691,250
2022	3.90%	525,000	166,808	691,808
2023	3.95%	545,000	146,333	691,333
2024	4.00%	565,000	124,805	689,805
2025	4.05%	590,000	102,205	692,205
2026	4.10%	610,000	78,310	688,310
2027	4.10%	635,000	53,300	688,300
2028	4.10%	665,000	27,265	692,265
Total		<u>\$ 8,010,000</u>	<u>3,049,353</u>	<u>11,059,353</u>

Winterset Community School District
Notes to Financial Statements
June 30, 2012

Bond Issue of November 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.75%	\$ 115,000	116,815	231,815
2014	3.75%	120,000	112,503	232,503
2015	3.75%	125,000	108,002	233,002
2016	4.00%	130,000	103,315	233,315
2017	4.00%	135,000	98,115	233,115
2018	4.00%	140,000	92,715	232,715
2019	4.00%	150,000	87,115	237,115
2020	4.00%	155,000	81,115	236,115
2021	4.00%	160,000	74,915	234,915
2022	4.05%	170,000	68,515	238,515
2023	4.05%	180,000	61,630	241,630
2024	4.10%	185,000	54,340	239,340
2025	4.10%	195,000	46,755	241,755
2026	4.30%	205,000	38,760	243,760
2027	4.30%	215,000	29,945	244,945
2028	4.50%	225,000	20,700	245,700
2029	4.50%	235,000	10,575	245,575
Total		\$ 2,840,000	1,205,830	4,045,830

Revenue Bonds

Details of the District's June 30, 2012 local option sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of November 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.00%	\$ 175,000	244,263	419,263
2014	3.00%	185,000	238,863	423,863
2015	3.00%	240,000	232,488	472,488
2016	3.00%	250,000	225,138	475,138
2017	3.00%	260,000	217,488	477,488
2018	3.25%	270,000	209,200	479,200
2019	3.50%	280,000	199,913	479,913
2020	3.65%	290,000	189,720	479,720
2021	3.75%	305,000	178,709	483,709
2022	3.90%	320,000	166,750	486,750
2023	4.00%	335,000	153,810	488,810
2024	4.10%	355,000	139,833	494,833
2025	4.25%	370,000	124,693	494,693
2026	4.35%	390,000	108,348	498,348
2027	4.40%	410,000	90,845	500,845
2028	4.55%	435,000	72,038	507,038
2029	4.60%	455,000	51,785	506,785
2030	4.65-4.75%	880,000	30,160	910,160
Total		\$ 6,205,000	2,874,039	9,079,039

The District has pledged statewide sales, services and use tax revenues to repay the \$6,325,000 bonds issued in November, 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$9,079,039. For the current year, \$120,000 of principal and \$248,688 of interest was paid.

Total statewide sales, services and use tax revenues were \$1,300,264.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$165,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be age fifty-five and have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's salary calculated by using the salary in effect the last year of the employee's employment with the school district. Early retirement benefits paid during the year ended June 30, 2012, totaled \$93,640 and were paid by the Special Revenue, Management Levy Fund.

The government-wide financial statements include twelve months as a current liability for early retirement.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 164 active and 8 retired members in the plan. Participants must be age 55 or older at retirement and must have been employed full time by the District for a minimum of 10 consecutive years prior to the retirement year.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Winterset Community School District
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June 30, 2012

Annual required contribution	\$ 163,000
Interest on net OPEB obligation	22,095
Adjustment to annual required contribution	(19,743)
Annual OPEB cost	165,352
Contributions made	(82,000)
Increase in net OPEB obligation	83,352
Net OPEB obligation beginning of year	491,000
Net OPEB obligation end of year	\$ 574,352

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

The required contribution is based on projected pay-as-you-go financing. For the year ended June 30, 2012, the District contributed \$82,000. Retiree and active members receiving benefits contributed \$34,000 through their required contribution for single and family health coverage combined, depending on which of the two plans offered by the District the employee participated in.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 165,000	49.70%	\$ 491,000
June 30, 2012	165,352	49.59%	574,352

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2012, the actuarial accrued liability was \$1,144,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,144,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,687,082, and the ratio of the UAAL to covered payroll was 11.8%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Health Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$736 per month for retirees who have not attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$877,869, \$738,745, and \$753,677, respectively, equal to the required contributions for each year.

(9) Risk Management

Winterset Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$617,057 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

The District entered into contracts totaling \$818,100 for the construction of new buildings and improvements. As of June 30, 2012, costs of \$265,540 had been incurred against the contracts. The balance of \$552,560 remaining at June 30, 2012 will be paid as work on the projects progresses.

Project	Projected Cost	Costs Incurred
High School	818,100	265,540
	<u>\$ 818,100</u>	<u>265,540</u>

(12) Restatement of fund balance

The following discloses the restatement of government fund balances as of the beginning of the year:

	Capital Projects, Physical Plant and Equipment Levy
Fund balance, June 30, 2011, as previously reported	\$ 112,524
Increase due to interfund receivable from Student Construction Fund related to purchase of Residential Building Lots	180,000
Decrease due to transfer of Residential Building Lots Inventory to Student Construction Fund	(54,800)
Fund balance, July 1, 2011, as restated	<u>\$ 237,724</u>

(13) Contingency

The District is involved in legal action regarding certain negligence claims. At this time any potential settlement amount is not believed to be material to the financial statements and a loss amount has not been accrued.

Required Supplementary Information

Winterset Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 10,474,251	520,935	10,995,186	10,953,058	10,953,058	42,128
Intermediate sources	-	-	-	-	-	-
State sources	10,071,017	7,350	10,078,367	10,135,989	10,135,989	(57,622)
Federal sources	765,387	365,677	1,131,064	715,000	715,000	416,064
Total revenues	21,310,655	893,962	22,204,617	21,804,047	21,804,047	400,570
Expenditures:						
Instruction	11,298,156	125,321	11,423,477	11,541,402	12,041,402	617,925
Support services	5,618,315	-	5,618,315	6,335,000	5,835,000	216,685
Noninstructional programs	-	733,899	733,899	800,000	800,000	66,101
Other expenditures	4,195,134	-	4,195,134	2,631,849	4,500,000	304,866
Total expenditures	21,111,605	859,220	21,970,825	21,308,251	23,176,402	1,205,577
Excess (deficiency) of revenues over (under) expenditures	199,050	34,742	233,792	495,796	(1,372,355)	1,606,147
Other financing sources, net	8,883	-	8,883	-	-	8,883
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	207,933	34,742	242,675	495,796	(1,372,355)	1,615,030
Balances beginning of year	4,477,885	228,114	4,705,999	6,029,378	6,029,378	(1,323,379)
Balances end of year	\$ 4,685,818	262,856	4,948,674	6,525,174	4,657,023	291,651

See accompanying independent auditor's report.

Winterset Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Winterset Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	1,758,000	1,758,000	0.0%	9,881,398	17.8%
2011	July 1, 2010	-	1,144,000	1,144,000	0.0%	9,366,264	12.2%
2012	July 1, 2010	-	1,144,000	1,144,000	0.0%	9,687,082	11.8%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Schedule 1

Winterset Community School District
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2012

		Special Revenue Funds		
		Management	Student Activity	Total
Assets				
Cash and pooled investments		\$ 727,272	195,698	922,970
Receivables:				
Accounts		-	2,869	2,869
Intergovernmental		11	-	11
Property tax:				
Current year delinquent		13,132	-	13,132
Succeeding year		900,000	-	900,000
Total assets		\$ 1,640,415	198,567	1,838,982
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax		\$ 900,000	-	900,000
Total liabilities		900,000	-	900,000
Fund balances:				
Restricted for:				
Management levy purposes		740,715	-	740,715
Student activities		-	198,567	198,567
Total fund balances		740,715	198,567	939,282
Total liabilities and fund equity		\$ 1,640,715	198,567	1,839,282

See accompanying independent auditor's report.

Schedule 2

Winterset Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

Year ended June 30, 2012

	Special Revenue Funds		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 795,576	-	795,576
Other	13,265	269,639	282,904
State sources	385	-	385
Total revenues	809,226	269,639	1,078,865
Expenditures:			
Current:			
Instruction:			
Regular	99,786	-	99,786
Other	-	283,779	283,779
Support Services:			
Administration	3,420	-	3,420
Operation and maintenance of plant	136,200	-	136,200
Student transportation:	28,922	-	28,922
Total expenditures	268,328	283,779	552,107
Excess of revenues over expenditures	540,898	(14,140)	526,758
Fund balances beginning of year, as restated	199,517	212,707	412,224
Fund balances end of year	\$ 740,415	198,567	938,982

See accompanying independent auditor's report.

Winterset Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2012

		Capital Projects			
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Assets					
Cash and pooled investments		\$ 1,306,636	75,370	301,286	1,683,292
Receivables:					
Property tax:					
Current year delinquent		-	2,184	-	2,184
Succeeding year		-	137,953	-	137,953
Interfund		-	180,000	-	180,000
Intergovernmental		652,334	2	-	652,336
Total assets		\$ 1,958,970	395,509	301,286	2,655,765
Liabilities and Fund Balances					
Liabilities:					
Accounts payable		\$ 13,129	-	-	13,129
Deferred revenue:					
Succeeding year property tax		-	137,953	-	137,953
Total liabilities		13,129	137,953	-	151,082
Fund balances:					
Restricted for:					
Debt service		521,320	-	-	521,320
School infrastructure		1,424,521	-	301,286	1,725,807
Physical plant and equipment		-	257,557	-	257,557
Total fund balances		1,945,841	257,557	301,286	2,504,684
Total liabilities and fund balances		\$ 1,958,970	395,510	301,286	2,655,766

See accompanying independent auditor's report.

Schedule 4

Winterset Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2012

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,300,264	135,973	-	1,436,237
Other	9,569	43	187	9,799
State sources	-	63	-	63
Federal sources	-	121,198	-	121,198
Total revenues	1,309,833	257,277	187	1,567,297
Expenditures:				
Current:				
Support Services:				
Instructional Staff	322,853	-	-	322,853
Transportation	142,443	64,751	-	207,194
Other expenditures:				
Facilities acquisition	1,765,046	172,693	348,093	2,285,832
Debt service	1,500	-	-	1,500
Total expenditures	2,231,842	237,444	348,093	2,817,379
Deficiency of revenues under expenditures	(922,009)	19,833	(347,906)	(1,250,082)
Other financing uses:				
Operating transfers out	(421,883)	-	-	(421,883)
Total other financing uses	(421,883)	-	-	(421,883)
Deficiency of revenues and other financing sources under expenditures and other financing uses	(1,343,892)	19,833	(347,906)	(1,671,965)
Fund balances beginning of year, as restated	3,289,733	237,724	649,192	4,176,649
Fund balances end of year	\$ 1,945,841	257,557	301,286	2,504,684

See accompanying independent auditor's report.

Schedule 5

Winterset Community School District
Combining Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 244,913	-	244,913
Accounts receivable	13,894	138,900	152,794
Inventories	8,621	-	8,621
Total current assets	267,428	138,900	406,328
Non-current assets:			
Residential building lots	-	41,100	41,100
Machinery and equipment	265,276	-	265,276
Accumulated depreciation	(255,677)	-	(255,677)
Total non-current assets	9,599	41,100	50,699
Total assets	277,027	180,000	457,027
Liabilities			
Current liabilities:			
Interfund Payable	-	180,000	180,000
Accounts payable	7	-	7
Unearned revenue	14,164	-	14,164
Total current liabilities	14,171	180,000	194,171
Net assets			
Invested in capital assets	9,599	-	9,599
Unrestricted	253,257	-	253,257
Total net assets	\$ 262,856	-	262,856

See accompanying independent auditor's report.

Schedule 6

Winterset Community School District
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2012

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Operating revenue:			
Local sources:			
Other local sources:			
Food service sales	\$ 395,536	-	395,536
Other operating revenue	-	125,321	125,321
Total operating revenues	395,536	125,321	520,857
Operating expenses:			
Instructional programs:			
Instruction			
Services	-	37,484	37,484
Supplies	-	87,837	87,837
	-	125,321	125,321
Non-instructional programs:			
Food services operations:			
Services	314,086	-	314,086
Supplies	416,953	-	416,953
Depreciation	2,283	-	2,283
Miscellaneous	577	-	577
	733,899	-	733,899
Total operating expenses	733,899	125,321	859,220
Operating loss	(338,363)	-	(338,363)
Non-operating revenue:			
Interest on investments	78	-	78
State lunch and breakfast program claims	7,350	-	7,350
National School Lunch Program	268,537	-	268,537
School Breakfast Program	48,239	-	48,239
Federal food commodities revenue	48,901	-	48,901
Total non-operating revenues	373,105	-	373,105
Net income	34,742	-	34,742
Net assets beginning of year	228,114	-	228,114
Net assets end of year	\$ 262,856	-	262,856

See accompanying independent auditor's report.

Winterset Community School District
Combining Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2012

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 398,575	-	398,575
Cash received from miscellaneous operating activities	-	125,321	125,321
Cash payments for miscellaneous operating activities	(577)	-	(577)
Cash payments to suppliers for goods or services	(682,663)	(125,321)	(807,984)
Net cash used by financing activities	(284,665)	-	(284,665)
Cash flows from non-capital financing activities:			
State grants received	7,350	-	7,350
Federal grants received	316,776	-	316,776
Net cash provided by non-capital financing activities	324,126	-	324,126
Cash flows from investing activities:			
Interest on investments	78	-	78
Net increase in cash and cash equivalents	39,539	-	39,539
Cash and cash equivalents at beginning of year	205,374	-	205,374
Cash and cash equivalents at end of year	\$ 244,913	-	244,913
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (338,362)	-	(338,362)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities received	48,901	-	48,901
Depreciation	2,283	-	2,283
Decrease in accounts receivable	2,440	-	2,440
Increase in inventories	(423)	-	(423)
(Decrease) in accounts payable	(102)	-	(102)
Increase in unearned revenue	598	-	598
Net cash provided (used) by operating activities	\$ (284,665)	-	(284,665)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash and investments	\$ 244,913	-	244,913
Cash and cash equivalents at year end	\$ 244,913	-	244,913

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received federal commodities valued at \$48,901.

See accompanying independent auditor's report.

Schedule 8

Winterset Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund
Year ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 34,786	52,493	58,382	28,897
Accounts receivable	7,142	6,361	7,142	6,361
Total assets	\$ 41,928	58,854	65,524	35,258
Liabilities				
Liabilities:				
Salary and benefits payable	\$ 3,956	1,258	3,956	1,258
Accounts payable	37,972	51,712	55,684	34,000
Total liabilities	\$ 41,928	52,970	59,640	35,258

See accompanying independent auditor's report.

Schedule 9

Winterset Community School District
Schedule of Changes in Individual Student Activity Accounts
Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary School:				
Interest	\$ 5	1	-	6
Champs	105	11	(384)	500
Memory Book	1,540	3,176	3,556	1,160
Cheap and Keep	1,041	1,209	1,857	393
Middle School:				
Interest	35	5	-	40
Band Resale	848	440	864	424
Cheap and Keep	-	22	-	22
5th and 6th Grade	2,582	1,150	3,225	507
Husky Buck	303	-	-	303
Champs	8,858	-	-	8,858
Field Trips	576	-	-	576
Magazine Fund	26,111	20,304	12,303	34,112
Yearbook	2,185	3,251	2,157	3,279
Junior High School:				
Interest	26	13	-	39
Magazine Fund	16,721	7,043	16,483	7,281
Tech Projects	216	-	-	216
Supply Hut	6	1	-	7
Vocal	97	-	-	97
Band Resale	78	2,765	2,145	698
Activity Tickets	682	3,750	928	3,504
Uniform	4,106	-	-	4,106
Cross Country	278	-	50	228
Boys Basketball	-	1,083	1,083	-
Football Parents	631	1,548	2,179	-
Boys Track Club	2,789	1,208	535	3,462
Wrestling Club	-	1,465	1,073	392
Girls Basketball	-	721	721	-
Volleyball	-	1,769	1,769	-
Girls Track Club	1,254	-	505	749
Cheerleaders	1,235	-	-	1,235
Yearbook	1,722	1,860	1,936	1,646
FBLA	-	42	-	42
Student Council	450	-	-	450
TSA	3,087	293	683	2,697
Troop Connection	85	-	-	85
High School:				
Activity Tickets	1,951	10,531	10,879	1,603
Interest	164	47	-	211
Champs	1,074	2,051	1,649	1,476
Concessions	-	13,837	11,178	2,659
Pop Machine	654	1,519	-	2,173
Play	-	5,915	5,522	393
Forensic	171	1,769	1,940	-
Vocal	3,126	1,896	2,070	2,952
Band Resale	1,393	3,412	2,882	1,923
Uniforms	1,389	2,031	1,500	1,920
Weightlifting	439	985	700	724
Coed Track	14,075	-	4,322	9,753

Schedule 9

Winterset Community School District
Schedule of Changes in Individual Student Activity Accounts
Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Cross Country	2,630	1,442	1,174	2,898
Boys Basketball	1,942	4,344	5,621	665
Football Parents	5,494	21,968	24,890	2,572
Boys Soccer	4,418	5,623	5,568	4,473
Baseball	3,654	5,745	6,391	3,008
Boys Track Club	2,737	4,607	3,323	4,021
Golf	-	2,190	835	1,355
Boys Drill Team	210	1,397	1,396	211
Wrestling Club	6,394	10,908	10,900	6,402
Girls Basketball	1,717	5,550	5,708	1,559
Volleyball	507	6,407	6,449	465
Girls Soccer	3,882	9,620	9,355	4,147
Softball	3,680	9,233	11,133	1,780
Girls Track Club	1,454	3,719	3,035	2,138
Cheerleaders	3,689	13,401	12,943	4,147
Girls Golf	322	605	652	275
Drill Team	1,050	13,150	11,265	2,935
Class of 2011	3,253	-	3,253	-
Class of 2012	4,902	-	4,902	-
Class of 2013	2,843	4,642	3,378	4,107
Class of 2014	1,378	1,043	(1,238)	3,659
Class of 2015	-	242	108	134
AFS	1,089	399	471	1,017
Boomerang	10,354	7,197	10,051	7,500
FBLA	1,063	10,511	11,517	57
FCCLA	3,682	240	-	3,922
MOC	1,500	538	-	2,038
NHS	319	419	364	374
Pep Club	6,845	45	409	6,481
Renaissance	1,252	-	-	1,252
Science Club	4,082	-	1,008	3,074
Student Council	5,871	4,229	3,609	6,491
TSA	491	1,119	1,610	-
WHS-TV	2,516	2,925	954	4,487
Y-Teen	3,102	93	377	2,818
FFA	1,806	-	-	1,806
Art Club	1,871	647	802	1,716
Spanish Club	458	-	-	458
JEL Club	507	915	198	1,224
Scuba	1,408	2,850	4,258	-
Ivy League	6,247	14,553	20,800	-
Totals	\$ 212,707	269,639	283,779	198,567

See accompanying independent auditor's report.

Winterset Community School District
Schedule of Revenues by Sources and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local sources:										
Local tax	\$ 9,299,035	9,047,231	7,885,789	6,682,479	5,902,891	6,300,722	5,835,185	5,654,849	4,843,031	4,737,178
Tuition	719,657	591,391	538,865	556,899	620,456	520,618	485,156	386,039	435,217	403,430
Other	455,559	532,149	752,774	744,545	487,229	496,369	406,550	494,275	800,215	774,362
Intermediate sources	-	-	-	868	-	18,010	-	-	1,431	3,422
State sources	10,071,017	9,280,912	7,970,449	9,069,606	8,805,764	8,160,837	7,818,846	7,007,351	6,528,915	6,603,697
Federal sources	765,387	806,743	1,486,818	534,599	325,030	310,585	332,412	321,482	376,857	290,180
Total	\$ 21,310,655	20,258,426	18,634,695	17,588,996	16,141,370	15,807,141	14,878,149	13,863,996	12,985,666	12,812,269
Expenditures:										
Instruction:										
Regular	\$ 7,087,937	7,146,751	6,463,818	6,538,800	-	5,595,747	5,055,208	4,948,992	4,573,554	4,473,533
Special	2,975,804	2,789,079	3,365,948	2,798,107	2,505,110	2,688,086	2,313,143	2,023,852	2,104,456	1,912,833
Other	1,234,415	1,146,983	1,134,170	1,767,816	1,497,926	1,058,067	1,316,851	1,328,124	924,385	991,563
Support services:										
Student	585,741	533,947	563,984	351,332	449,044	409,289	357,966	360,342	350,360	354,185
Instructional staff	1,185,848	616,560	753,321	556,792	628,644	680,880	504,394	372,882	335,889	330,199
Administration	1,404,877	1,445,362	1,556,146	1,854,842	1,282,634	1,195,341	1,110,165	1,069,181	1,055,372	1,048,812
Operation and maintenance of plant	1,556,559	1,468,491	1,522,965	1,501,165	1,470,629	1,299,559	1,345,656	1,125,081	1,194,716	1,049,166
Transportation	885,290	719,247	741,508	700,621	710,525	774,989	774,339	549,379	545,414	471,362
Non-instructional programs	-	-	13,714	11,793	8,654	8,796	11,651	9,236	8,089	7,375
Other expenditures:										
Facilities acquisition	2,285,832	5,255,880	9,903,836	3,287,459	665,627	612,179	124,997	314,833	284,342	463,481
Long-term debt:										
Principal	580,000	450,000	430,000	620,000	545,000	875,000	830,000	805,000	1,187,000	732,000
Interest and other charges	712,245	771,818	485,887	445,336	94,390	128,110	160,313	190,797	235,961	274,056
AEA flowthrough	617,057	669,527	663,689	600,552	562,800	522,435	488,789	445,626	432,742	454,395
Total	\$ 21,111,605	23,013,645	27,598,986	21,034,615	10,420,983	15,848,478	14,393,472	13,543,325	13,232,280	12,562,960

See accompanying independent auditor's report

Winterset Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	\$ 48,239
National School Lunch Program	10.555	FY 12	317,438 *
			<u>365,677</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 12	191,667
ARRA - Title I Basic LEA Grants Stabilization	84.389	FY 12	19,538
			<u>211,205</u>
Vocational Education - Basic Grants to States	84.048	FY 12	<u>13,331</u>
Fund for the Improvement of Education	84.215	FY 12	<u>121,198</u>
Title III - English Language Acquisition State Grants	84.365	FY 12	<u>3,300</u>
Title IIA - Federal Teacher Quality Program	84.367	FY 12	<u>50,927</u>
Grants for State Assessments and Related Activities	84.369	FY 12	<u>11,095</u>
ARRA - Education Jobs Fund	84.410	FY 12	<u>209,448</u>
Area Education Agency (AEA 11):			
Special Education - Grants to States	84.027	FY 12	<u>88,701</u>
Total			<u>\$ 1,074,882</u>

* - Includes \$48,901 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Winterset Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Winterset Community School District, Winterset, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated November 20, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Winterset Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Winterset Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winterset Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winterset Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Winterset Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Winterset Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winterset Community School District and other parties to whom Winterset Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winterset Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

November 20, 2012



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Van Maanen, Sietstra & Meyer, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of Winterset Community School District:

Compliance

We have audited Winterset Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Winterset Community School District's major federal programs for the year ended June 30, 2012. Winterset Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Winterset Community School District's management. Our responsibility is to express an opinion on Winterset Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winterset Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winterset Community School District's compliance with those requirements.

In our opinion, Winterset Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Winterset Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Winterset Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Winterset Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Winterset Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winterset Community School District and other parties to whom Winterset Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

November 20, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
 - CFDA Number 84.410 – ARRA – Education Jobs Fund
 - Clustered Programs:
 - CFDA Number 84.010 – Title I Grants to Local Education Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Education Agencies – Recovery Act
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Winterset Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-12 Certified Budget - Expenditures for the year ended June 30, 2012, did not exceed the certified budget amount.
- IV-B-12 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-12 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-F-12 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-12 Certified Enrollment – A variance in the basic enrollment data certified to the Iowa Department of Education was noted.
- Recommendation – The certified enrollment data should be corrected.
- Response – We will attempt to correct certified enrollment errors in the future.
- Conclusion – Response accepted.
- IV-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

Winterset Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

IV-K-12 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-12 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	3,289,733
Revenues/transfers in:			
Sales tax revenues	\$	1,300,264	
Other local revenues		9,569	1,309,833
			<u>4,599,566</u>
Expenditures/transfers out:			
School infrastructure construction		1,765,046	
Equipment		465,296	
Other		1,500	
Transfers to other funds:			
Debt service funds		421,883	2,653,725
			<u>2,653,725</u>
Ending balance		\$	<u><u>1,945,841</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.